

PALMDALE WATER DISTRICT 2018 BUDGET OVERVIEW

OPERATING REVENUES

	PROPOSED	BUDGET
	2018	2017
Operating Revenue		
Wholesale Water (AVEK & LCID)	160,000	160,000
Retail Water	22,627,500	21,680,000
Other Operating Revenue	800,000	960,000
	<u>23,587,500</u>	<u>22,800,000</u>

Operating revenues are projected to increase by \$787,000, based on sales of 18,000 af with 4.25% rate adjustment. The actual increase in water sales is \$947,000, but we are projecting a decrease in other revenue of \$160,000

PERSONNEL COSTS

	PROPOSED 2018	BUDGET 2017
Operating Expenses		
Departmental Salaries (Includes Overtime)	7,787,500	7,510,000
Departmental Taxes & Program Benefits	893,500	789,250
Departmental Healthcare	1,404,500	1,281,750
Departmental CalPERS	1,504,250	1,340,250
Departmental Personnel Expenses	11,589,750	10,921,250

Personnel cost are adjusted upwards by \$668,000 due to the following factors:

- Healthcare has been adjusted to match the allowance of \$1,800 per employee. The blended increase in medical was 7.52% for the District.
- COLA has been included at 3.1%
- Provisions have been made for sick and vacation sell back in January and July.
- Provisions for merit and salary adjustments for 2018 evaluations.
- Funding for Assistant General Manager and Safety/Training positions.

OPERATING EXPENSE

	PROPOSED	BUDGET
	2018	2017
Operating Expenses		
Departmental Operating Expenses	8,401,757	7,184,850
Water Purchases & Recovery (OAP Included)	2,100,000	2,190,000
Water Quality (GAC Media)	840,000	862,500
Plant Expenditures	1,144,000	574,292
Cash Expenses	24,075,507	21,732,892

Operating expense will increase by \$2.3MM
with most of the increases attributed to
departmental adjustments as follows

OPERATIONAL EXPENSE BY DEPARTMENT

	PROPOSED	BUDGET ¹
	2018	2017
Operating Expenses		
Directors	140,500	115,500
Administration	3,687,200	3,517,500
Engineering	1,662,900	1,451,500
Facilities	7,091,750	6,621,000

Directors: Directors budget has been increased to \$27,000 per director from \$22,000 per Director.

Administration: The unfunded liability has been increased \$96,000 to a total of \$568,000 for the year.

Engineering: Engineering has an increase of \$54,000 due primarily to upgrading the SQL database license fee related to GIS.

Facilities: Facilities has an increase of \$371,000 due to increases in tools and equipment, increases in maintenance and repair costs, and replacement cost of vital system components

OPERATIONAL EXPENSE BY DEPARTMENT

	PROPOSED	BUDGET ¹
	2018	2017
Operating Expenses		
Operations	3,032,007	2,546,250
Finance	1,291,250	1,246,500
Water Conservation	240,000	228,000
Human Resources	636,850	297,100
Information Technology	896,350	804,750
Customer Care	1,312,700	1,278,000

Operations: Operations has an increase of \$436,000 due to increases in chemicals, lake management, outside lab fees, electricity costs, and maintenance and repair costs for the facility.

Human Resources: HR has an increase of \$220,000 mostly due to an allocation of \$200,000 for position overlap as part of our succession planning.

Information Technology: IT has an increase of \$100,000 due to increased costs in software maintenance and support, added cloud based services, and replacement of equipment related to our Internet access

OPERATING EXPENSE

Plant Expenditures: Plant expenditures has an increase of \$570,000 which is made up from regulatory and critical projects:

1. Meter replacement project \$550,000
2. Water system master plan \$ 52,000
3. Emergency Action Plan \$175,000
4. LSRP-State Permits \$152,000
5. Replace VMWare Server \$ 60,000
6. Redesign VMWare Network\$ 15,000
7. Replace Firewall \$ 60,000
8. Upgrade GP and SQL \$ 60,000
9. WTP Security Cameras \$ 20,000

CASH FLOW AND RESERVES

	<u>Proposed 2018</u>	<u>Projected 2017</u>
Beginning Cash	<u>14,651,854</u>	<u>12,853,749</u>
Operating Activities		
Net Operating Revenues	23,587,500	23,126,500
Net Operating Expenses	<u>(24,075,507)</u>	<u>(20,373,155)</u>
Net cash provided by operating activities	14,163,847	15,607,094

Because of carry over commitments on projects, we would begin the year with cash reserves of \$14.6MM. The difference in operating revenue over operating expense would reduce that cash balance by \$488,000

CASH FLOW AND RESERVES

Other Sources and Uses of Cash		
Assessments received	7,500,000	7,617,750
Payments for State Water Project	(3,043,874)	(2,995,409)
Capital Improvement Fees Received	250,000	1,001,000
Water Conservation	(281,000)	(78,000)
Proceeds on Issuance of Long Term Debt		
Acquisition of Property, Plant & Equip. - Current Yr	(1,300,000)	(2,798,802)
Acquisition of Property, Plant & Equip. - Carryover	(1,185,000)	(155,500)
Committed Contracts on WRB Projects	(600,000)	-
Capital Leasing	(51,769)	(51,769)
Principal Paid on Long Term Debt	(1,657,084)	(1,610,453)
Interest Paid on Long Term Debt	(2,063,634)	(2,113,307)
State Grants and Other Income	238,000	147,000
Interest on Investments	90,000	82,250
Net Cash Provided by Other Sources and Uses	(2,104,361)	(955,240)
Net Increase (Decrease) in Cash	(2,592,368)	1,798,105
Rate Stabilization Fund	-	-
Cash End of Year	12,059,486	14,651,854

Taking into account the other sources and uses of cash, completing the carryover projects and contract commitments, we would have \$1.3MM available for new capital projects and leave a ending cash reserve balance of \$12MM

NEEDED PROJECTS

2018 FUND BREAKDOWN						
	O&M	CF	WS	AR	CON	WQ
Studies and Planning Documents	379,000	-	1,683,000	-	-	50,000
Replacement Equipment	-	-	-	287,000	-	-
General Projects	215,000	-	-	94,000	281,000	-
Replacement Capital Projects	550,000	-	-	1,213,000	-	-
New Capital Projects (CIF)	-	-	-	-	-	-
GAC Media Replacement (5 Contactors)	-	-	-	-	-	840,000
	1,144,000	-	1,683,000	1,594,000	281,000	890,000
2018 Total Tie-out:	5,592,000					
Equipment	287,000					
Capital Projects - General Fund	4,415,000					
Capital Projects - CIF	-					
Plant Expenditures	(1,144,000)					
	3,558,000					

Abbreviation Explanation

O&M	= Plant Expensed
CF	= Capital Improvement Fund
WS	= Source Water Supply
AR	= Asset Replacement
CON	= Conservation Program
WQ	= Water Quality Fund

The summary of needed projects indicates that minus the plant expenditures at \$1.1MM, there is \$3.5MM in projects, of which \$1.7MM are carryover projects. That leaves another \$1.7MM in projects that will need to be prioritized to compete for the \$1.3MM available.

STUDIES

REQ. #	DESCRIPTION	Dept.	2018 FUND SOURCE BREAKDOWN			BUDGETING YEAR AMOUNT		
			O&M	WS	WQ	2018	2019	2020
Studies and Planning Documents								
PL01	Upper Amargosa Recharge Project (CO)	ENG	-	600,000	-	600,000	513,500	-
PL02	PRGRRP-CEQA, Permitting, Pre-Design & Pilot (CO)	ENG	-	363,000	-	363,000	-	-
PL03	PRGRRP-Construction & Monitor Wells/Test Basin (CO)	ENG	-	428,000	-	428,000	-	-
PL04	LSRP-Aspen-Agency Coordination (CO)	ENG	-	35,000	-	35,000	-	-
PL05	LSRP-Aspen-Grade Control Design (CO)	ENG	-	257,000	-	257,000	-	-
PL06	Water System Master Plan (CO)	ENG	52,000	-	-	52,000	-	-
PL07	Sanitary Survey (CO)	OPS	-	-	50,000	50,000	-	-
PL08	Emergency Action Plan	ENG	175,000	-	-	175,000	-	-
PL09	LSRP-State Permits	ENG	152,000	-	-	152,000	-	-
			379,000	1,683,000	50,000	2,112,000	513,500	-
Total Fund Source:			2,112,000					

REPLACEMENT EQUIPMENT

REQ. #	DESCRIPTION	Dept.	2018 FUND SOURCE BREAKDOWN			BUDGETING YEAR AMOUNT		
			O&M	AR	WQ	2018	2019	2020
Replacement Equipment								
RE01	Backhoe	FAC	-	80,000	-	80,000	-	-
RE02	PRV Replacements 25th St; 37th St; 40th St	FAC	-	40,000	-	40,000	-	-
RE03	Altitude Valve - 25th St East	FAC	-	22,000	-	22,000	-	-
RE04	Littlerock Insertion Mag Meter	FAC	-	32,000	-	32,000	-	-
RE05	Brine tanks @ Well #7 & Well #3	FAC	-	65,000	-	65,000	-	-
RE06	T-8 Booster Station Pump Skids	FAC	-	35,000	-	35,000	-	-
RE07	Intellispark @ Well #15 & Well #11	FAC	-	13,000	-	13,000	-	-
			-	287,000	-	287,000	-	-
Total Fund Source:			287,000					

GENERAL PROJECTS

REQ. #	DESCRIPTION	Dept.	2018 FUND SOURCE BREAKDOWN			BUDGETING YEAR AMOUNT		
			O&M	AR	CON	2018	2019	2020
General Projects								
PRO01	6 MG Clearwell Curtain Repairs	ENG	-	94,000	-	94,000	-	-
PRO02	Replace and Upgrade VMWare Servers (EOL)	IT	60,000	-	-	60,000	-	-
PRO03	Redesign VMWare Network (TruePoint)	IT	15,000	-	-	15,000	-	-
PRO04	Replace Firewall and VPN Appliances (EOL)	IT	60,000	-	-	60,000	-	-
PRO05	Upgrade Microsoft GP & SQL Databases	IT	60,000	-	-	60,000	-	-
PRO06	WTP Access Control - Additional Cameras (Blind Spots)	IT	20,000	-	-	20,000	-	-
PRO07	2018 Water Rebate Program - Controllers, Turf Replacement, etc.	WC	-	-	281,000	281,000	250,000	250,000
			215,000	94,000	281,000	590,000	250,000	250,000
Total Fund Source:			590,000					

REPLACEMENT CAPITAL

REQ. #	DESCRIPTION	Dept.	2018 FUND SOURCE BREAKDOWN			BUDGETING YEAR AMOUNT		
			O&M	WS	AR	2018	2019	2020
Replacement Capital Projects								
RCP01	Meter Replacement Program - Purchase (Quantity = 3,400)	FIN	550,000	-	-	550,000	-	-
RCP02	Well #7 Rehabilitation	FAC	-	-	180,000	180,000	-	-
RCP03	Well #29 Submersible	FAC	-	-	65,000	65,000	-	-
RCP04	Well #35 Submersible	FAC	-	-	75,000	75,000	-	-
RCP05	Booster 45th St	FAC	-	-	23,000	23,000	-	-
RCP06	Booster Well #3	FAC	-	-	15,000	15,000	-	-
RCP07	Booster Well #14	FAC	-	-	8,000	8,000	-	-
RCP08	Water Main Replacement - Avenue P8 & 20th ST E	ENG	-	-	410,000	410,000	-	-
RCP09	Water Main Replacement - 13th ST E (Avenue Q13 to Avenue R)	ENG	-	-	170,000	170,000	-	-
RCP10	Water Main Replacement - Avenue P (25th ST E to FAA Site)	ENG	-	-	152,000	152,000	-	-
RCP11	Avenue V-5 Water Main Replacement (Spec 1504)	ENG	-	-	45,000	45,000	-	-
RCP12	45th ST E Altitude Valve (Upsizing)	ENG	-	-	70,000	70,000	-	-
			550,000	-	1,213,000	1,763,000	-	-
Total Fund Source:			1,763,000					

The background of the slide features a vertical gradient from light blue at the top to a deeper blue at the bottom. Scattered across the image are several realistic water droplets of varying sizes, some with highlights and shadows, giving them a three-dimensional appearance. They are primarily located in the top-left, top-right, and bottom-right corners.

DISCUSSION/QUESTIONS